R3834-4

The Bush Administration Budget: Rhetoric and Reality

Robert Greenstein
Paul Leonard

CENTER ON BUDGET AND POLICY PRIORITIES
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is a nonpartisan, nonprofit research organization that studies government spending and the programs and public policy issues that have an impact on low income Americans. The Center is funded by grants from foundations.

Board of Directors

Richard C. Atkinson
University of California,
San Diego

Angela Glover Blackwell
Urban Strategies Council

Barbara B. Blum
Foundation for
Child Development

Barry Carter
Georgetown University
Law Center

Marian Wright Edelman
Children's Defense Fund

David T. Ellwood
Kennedy School of Government
Harvard University

David de Ferranti
The World Bank

Arthur S. Flemming
Former Secretary of
Health, Education and
Welfare

John D. Kramer
Tulane Law School

Eleanor Holmes Norton
Georgetown University
Law Center

William Julius Wilson
University of Chicago

Robert Greenstein
Executive Director

About the Authors

Robert Greenstein is the founder and director of the Center on Budget and Policy Priorities. A former administrator of the Food and Nutrition Service in the U.S. Department of Agriculture, he has written extensively on domestic public policy, budget issues, and poverty.

Paul A. Leonard is a senior research analyst at the Center on Budget and Policy Priorities. He specializes in budget and housing issues as well as analysis of other public policy issues related to poverty.

February 1990

Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

Contents

I. Overview 1

II. The Distribution of the Administration's Deficit Reductions 7

III. Budget Proposals Dealing with Low Income Programs 11

IV. Food Assistance and Housing Programs 17

V. Defense Budget 27

VI. Proposals That Make the Tax System More Regressive 31

Tables 39

Figures

Figure 1
Changes in Family Income
1977 - 1990 32

Figure 2
Changes in Federal Tax Burdens
1980 - 1990 33

Figure 3
Distribution of Tax Benefits from
Capital Gains Tax Cut 35

I. OVERVIEW

On January 29, 1990, the Administration released its budget proposals for fiscal year 1991. The proposals represent the first full, detailed budget presented by President George Bush.

The new budget has been described by Administration officials as a departure from the past in a number of ways. They cite its proposals to reduce defense spending; invest more in areas such as education, child care, and the environment; improve the national savings rate and thereby promote economic growth; reach the Gramm-Rudman-Hollings deficit target for fiscal year 1991; and balance the budget by fiscal year 1993.

Analysis of the detailed proposals, however, reveals a sharp divergence between the rhetoric surrounding the budget and its actual content. Upon closer examination, the budget proposals turn out not to mark as significant a break from other recent White House budgets, especially those of the Reagan Administration's second term, as the rhetoric suggests.

Defense Spending

- Despite talk of reducing defense spending, the budget proposes that actual expenditures for defense rise nearly $7 billion next year to $303.3 billion. Defense expenditures would be only one percent lower than under a full inflation increase in defense funding.

- Defense appropriations would reach $306.9 billion, 32 *percent higher than in fiscal year 1980,* after adjusting for inflation. However, Cold

War tensions and foreign threats were significantly higher in 1980 than they are today, with Americans held hostage in Iran, and Soviet troops invading Afghanistan.

- Only one-fifth of the budget's spending reductions (below the levels needed to keep pace with inflation) would come from defense. Four-fifths would come from domestic programs. Medicare alone would be cut nearly twice as much as the entire defense budget.

- One reason defense spending would change so little is that the Administration is proposing to move forward with virtually the entire next generation of strategic nuclear weapons on the Pentagon's drawing boards. The reductions in the Pentagon budget primarily reflect cuts in force structure (that is, personnel) and conventional weapons, not in strategic nuclear weapons. In fact, funding for many key strategic weapons systems would increase.

  An analysis by the Defense Budget Project finds that the Administration's budget would increase funding for the MX missile program by 65 percent, the advanced cruise missile by 47 percent, the B-2, or Stealth, bomber by 29 percent, and the Strategic Defense Initiative ("Star Wars") by 22 percent. These figures are not adjusted for inflation.[1]

- Moreover, analyses by both the Defense Budget Project and the Senate Budget Committee indicate that some of the defense spending "cuts" contained in the budget are actually accounting shifts or other bookkeeping gimmicks. The Senate Budget Committee analysis states that when the gimmicks are culled from the defense budget, spending is found to increase by *more than* the inflation rate.

Low Income Programs

- The budget does contain several significant increases in programs for low income households. These include a sizable boost in funding for Head Start, child care tax credits for low income working families, Secretary Kemp's HOPE initiative to expand homeownership among

---

[1] Stephen Alexis Cain, *Analysis of the President's FY 1991 Defense Budget Request*, Defense Budget Project, January 31, 1990.

low income families, and increases in programs for the homeless and in job training programs for low income youth.

- Nevertheless, these increases would be more than offset by cuts in a number of other low income programs. The budget proposes deep reductions in the low income home energy assistance program, termination of the low income weatherization and community services block grant programs, and reductions in several low income housing programs, among other cuts.

  Total appropriations for low income non-entitlement programs would be *$1.3 billion below current levels*, after adjustment for inflation. This aggregate figure takes both proposed increases and decreases into account.

- Claims that the budget makes substantial progress in dealing with the low income housing shortage are overstated. The funds for the HOPE initiative are accompanied by reductions in other programs providing low income housing assistance. As a result, the overall number of additional low income housing units subsidized under the Bush budget in FY 1991 would be *exactly the same* as the average number subsidized during the Reagan years. In addition, it would be 20 percent *lower* than the number of additional subsidized units proposed in Secretary Samuel Pierce's last budget.[2]

Education and the Environment

- Claims of substantial budget increases for education and environmental protection also are overblown. Total funding for the Department of Education would edge up just one percent over current levels, after adjustment for inflation. While the President claimed in the State of the Union address that his budget lifted education funding to an all-time high, this is true only if inflation is *not* taken into account. When inflation is factored in, education funding remains below levels in the late 1970s.

---

[2] The comparison with the final Reagan budget was made by the Low Income Housing Information Service (LIHIS). A more thorough analysis than is provided here of the Administration's budget proposals for low income housing programs may be obtained from LIHIS at 1012 14th St. NW, Suite 1500, Washington, D.C. 20005, (202) 662-1530.

If the Administration had applied the same standard to defense spending – and had compared its proposed defense funding level with levels provided in earlier years *without* adjusting for inflation – defense, too, would be shown to reach an all-time high.

- While some areas of environmental spending would be increased under the new budget, others would be reduced. Total appropriations for the Environmental Protection Agency would be frozen at $5.4 billion, a decline of four percent after adjusting for inflation.

Tax Proposals

- The budget contains new tax breaks for wealthy Americans and large corporations. Chief among these is the proposed cut in capital gains taxes. Analyses by the Joint Congressional Committee on Taxation and the Congressional Budget Office show that 83 percent of the tax benefits from the proposed cut in capital gains taxes would go to the wealthiest three percent of taxpayers, those with incomes of more than $100,000 a year. Fully 66 percent of all the tax benefits would go to the wealthiest one percent of taxpayers, those with incomes exceeding $200,000 a year.

  The Joint Tax Committee analysis of the Administration's proposal shows that some 681,000 taxpayers with incomes of more than $200,000 a year would receive a tax cut under this proposal, securing an average tax reduction of more than $15,000 apiece.

- In addition, the proposed Family Savings Plan primarily would benefit families in the $50,000 to $120,000 range, well above the income of the average American household. More than 60 percent of all tax filers have adjusted gross incomes below $30,000 a year.

- The budget also includes several new tax breaks for oil and gas companies.

- The various tax cut proposals are more likely to *reduce* the national savings pool than to increase it. To increase savings, these proposals must generate more in new savings than they lose in federal revenue. It is doubtful this would occur. (For each dollar lost in revenue, the government must borrow a dollar in private credit markets, thereby reducing the pool of savings available for private investment.)

Deficit Reduction

- It is also doubtful that the budget would meet either the $64 billion Gramm-Rudman-Hollings deficit target for FY 1991 or the goal of a balanced budget in FY 1993. The budget uses rosy economic forecasts, accounting gimmicks, and other devices to make tens of billions of dollars in the deficit disappear.

- Moreover, the budget contains a series of budget-cutting proposals made repeatedly by the Reagan Administration and rejected repeatedly by Congress on a bipartisan basis. These proposals have virtually no chance of being enacted and should not be regarded as serious proposals on the Administration's part. Budget director Richard Darman's strategy appears to be to *print* a budget that hits the Gramm-Rudman-Hollings target, but leave to Congress the politically painful and difficult task of figuring out how to reach this target with measures that actually can be enacted.

- The budget is particularly weak on long-term deficit reduction. Some of the measures proposed, such as the capital gains cut, provide short-term deficit reduction only -- and then lose revenue and increase the deficit significantly in future years. Furthermore, by seeking to build the Pentagon's next generation of strategic weapons (and concentrating most downward adjustments in defense spending on reductions in force structure), the budget would make it more difficult to achieve much larger-scale reduction in defense spending later in the decade.

II. THE DISTRIBUTION OF THE ADMINISTRATION'S DEFICIT REDUCTIONS

The Gramm-Rudman-Hollings law requires the President to submit a budget for fiscal year 1991 with a deficit of no more than $64 billion. The nonpartisan Congressional Budget Office (CBO) forecasts that with no actions to reduce the deficit, the red ink would equal $138 billion next year. This indicates $74 billion in deficit reduction is required.

The Administration budget neatly slices the amount of deficit reduction needed about in half, however, by employing rosy economic assumptions that presume greater economic growth and lower interest rates than most private economic forecasters expect. Based on the optimistic assumptions, the Administration states that the deficit will only be about $100 billion in FY 1991 if nothing is done to shrink it. That leaves President Bush some $36 billion -- rather than $74 billion -- in deficit reductions to propose.

The budget proposes to achieve this $36 billion reduction through net spending reductions of approximately $23.5 billion and revenue increases of $13 billion.[3] The spending cuts represent reductions from what would be spent if this year's levels of government benefits and services were maintained in FY 1991, after adjusting for inflation. The revenue increases represent the amount by which revenues would be boosted over the amounts that would be collected next year if no revenue policies were changed.

---

[3] The budget also includes $1.6 billion in assets sales and $1 billion from a speed-up in tax collections that do not count as deficit reduction under the Gramm-Rudman-Hollings law.

Of the $23.5 billion in spending reductions, about $16 billion would come from reductions in government programs. A little more than $6 billion would come from "offsetting receipts" and "user fees" that offset the costs of various government activities. The final $1.3 billion in spending reductions are assumed to come from a reduction in interest payments on the national debt; this reduction would result from the effect of the other deficit reduction measures in the budget.

Revenue Proposals

On the revenue side, the single largest revenue increase is presumed to come from the President's proposal to cut capital gains taxes. Since a cut in the gains tax would likely lead to a number of investors cashing in their capital gains in the first few years after the tax cut is enacted, a revenue increase of $4.9 billion in FY 1991 is assumed. However, analyses by the nonpartisan staff of the Joint Congressional Committee on Taxation show that over time, the capital gains cut would result in large revenue losses. The Joint Committee staff is directed by Ronald Pearlman, a former Assistant Treasury Secretary in the Reagan Administration.

The second largest revenue increase -- some $2.5 billion -- is presumed to come from "IRS management reforms" that supposedly would be achieved without any additional funds for more IRS auditors. The voluminous budget document issued by the Administration contains just one vague sentence on this $2.5 billion item. This proposal has been criticized by tax experts as wishful thinking and a budget gimmick unlikely to result in anything close to $2.5 billion in real savings.

Other revenue-raising measures contained in the budget include extensions of Social Security and Medicare coverage to more state and local employees (this would require that these employees begin paying Social Security and Medicare payroll taxes and is estimated to save $3.8 billion next year), extending the three percent federal telephone excise tax otherwise due to expire at the end of 1990 ($1.6 billion), and a number of small fees.

Defense and Domestic Spending Cuts

The bulk of the $16 billion in program cuts would come from the domestic side. Domestic programs would be reduced approximately $13 billion below current service levels (that is, below FY 1990 levels, as adjusted for inflation). This is about four-fifths of all spending reductions in government programs proposed for the year.

By contrast, defense spending would come down only $3.2 billion below current services levels. Defense would contribute about one-fifth of the spending cuts in government programs.

Stated another way, for every dollar cut from defense, four dollars would be cut from domestic programs.

The Administration's budget documents show that actual defense spending would rise by $6.9 billion -- from $296.3 billion in fiscal year 1990 to $303.3 billion in fiscal year 1991. The proposed $303.3 billion level is $3.2 billion -- or one percent -- below the level that defense spending would reach in FY 1991 if appropriations for defense kept full pace with inflation.

On the domestic side, virtually all of the $13 billion in reductions would come from a series of changes in the eligibility, benefit, and administrative payment structures of a number of entitlement programs. In fact, entitlements would be cut nearly $14 billion, while domestic non-entitlement programs would receive a net increase (above current services levels) of about $1 billion.

The principal entitlement reductions would come from: Medicare (-$5.5 billion); federal retirement programs (-$3.0 billion); federal employee health benefits (-$1.6 billion); farm programs (-$1.8 billion); the Power Marketing Administration (-$1.0 billion); veterans programs (-$0.7 billion); and child nutrition programs (-$0.4 billion). The chart below lists the major proposed reductions.

Major Reductions in Entitlement Programs*
(in billions)

Medicare	$5.5
Federal retirement	3.0
Federal employee health	1.6
Farm programs	1.8
Power Marketing Admin.	1.0
Veterans programs	0.7
Child nutrition	0.4
Federal Housing Admin.	0.3
Food stamps and food assistance in Puerto Rico	0.2
Foster Care	0.1
Trade adjustment assistance	0.1

*The budget also includes several small entitlement increases. The net change in entitlements is a reduction of $13.9 billion. All figures shown here represent changes in outlays.

The Medicare reductions alone are nearly twice as large as the reductions proposed for the entire defense budget, while the reductions in health and retirement benefits for federal employees and retirees are nearly 1-1/2 times the size of the proposed defense spending changes.

III. BUDGET PROPOSALS DEALING WITH LOW INCOME PROGRAMS

In a departure from the budgets of the Reagan years, the Bush Administration proposals include sizable increases in several low income programs.

- Funding for Head Start would increase from slightly under $1.4 billion in fiscal year 1990 to slightly under $1.9 billion in fiscal year 1991. After adjusting for inflation, this represents an increase of $444 million, or 31 percent.

- The budget also contains an increase over current service levels (that is, over FY 1990 levels, adjusted for inflation) in Compensatory Education for Disadvantaged Children. The proposed increase is $256 million -- or five percent. Some $95 million of this increase would come in the Presidential merit schools program, which is in the same budget account as the basic compensatory education program. The remainder of the compensatory education account -- other than the Presidential merit schools program -- would rise three percent after adjustment for inflation.

- The budget includes a new initiative unveiled last fall by HUD Secretary Jack Kemp and President Bush -- the HOPE initiative -- which is designed primarily to promote home ownership among low income renter households. Some $250 million is requested under this initiative for grants to enable tenant groups to purchase public housing, while more than $900 million is requested for a series of other low income housing proposals. Several tax incentives also are proposed as part of this initiative.

- Most programs for the homeless authorized under the Stewart B. McKinney Homeless Assistance Act would be fully funded, although health care for the homeless and several programs providing social services to the homeless would not be funded at the full authorized level. Total appropriations for McKinney Act homeless programs would rise to $749 million, an increase of $126 million -- or 20 percent -- after adjusting for inflation.

- The budget expands job training for disadvantaged youth, proposing to replace the summer youth program and the existing block grant program under the Job Training Partnership Act with two separate grant programs serving adults and youth. Nearly two-thirds of the funds for the two new grant programs would be directed to the program for youth, which would target on youth from economically disadvantaged backgrounds. Total funding would be increased by several hundred million dollars.

- The budget provides $55 million to expand the number of health professionals in the badly understaffed National Health Service Corps, which places these professionals in medically underserved areas. The ranks of the National Health Service Corps would remain far below pre-Reagan levels, however.

- The budget also includes last year's Administration proposal to provide a tax credit to low income working families of up to $1,000 for each child under age four. Also, last year's proposal to make the child and dependent care tax credit "refundable" -- so that working families too poor to owe federal income tax can benefit from it (they would be sent a check by the IRS for the amount of the credit they are due) -- is included again.

Reductions In Low Income Programs

Significant as these proposals are, they are more than offset by reductions proposed in other programs for low income people. Total funding for low income non-entitlement programs would be *reduced* below current services levels, rather than increased.

Among the principal proposed reductions are the following:

- The low income home energy assistance program -- which helps low income families and elderly people pay high heating and cooling bills -- would be cut approximately $400 million (or 28 percent) below current service levels. This reduction would come on top of a series of other sharp reductions in the program during the 1980s. The Bush Administration request would leave the program some $1.7 billion -- or 62 percent -- below the program's funding level in FY 1981, after adjustment for inflation.

  The proposed cut comes at a time when a number of states are warning they already are close to running out of program funds for FY 1990, as a result of the December cold snap and the ensuing increases in prices for heating oil.

- The low income weatherization program -- which helps poor people weatherize their homes and thereby reduce future heating bills -- would be terminated. The appropriation for this program would be cut from $162 million in fiscal 1990 to zero in fiscal year 1991.

- The Community Services Block Grant, which supports a variety of programs and services provided by local anti-poverty agencies (primarily community action agencies), also would be terminated. (Two small programs for the homeless that are administered by these agencies would be retained.) This represents a budget cut of $362 million.

- The program that provides funds for the construction of health facilities on Indian reservations would be cut more than 80 percent; its funding level would shrink from $72 million in FY 1990 to $13 million in FY 1991.

- The funds for the HOPE initiative would be offset by reductions in a number of other housing programs. Funding for various subsidized housing programs, the housing loan program for the low income elderly and handicapped, public housing modernization, and the Community Development Block Grant would all be cut. Funding for several other programs, including public housing development and the Nehemiah housing program, would be terminated. The combined reductions would exceed $1 billion, as measured against current services levels.

- Smaller reductions would be made in a number of other non-entitlement programs, including the emergency food and shelter

program, community services employment for older Americans, and the childhood immunization program.

- In addition, the budget would freeze funding for refugee assistance at the FY 1990 level, without an adjustment for inflation. This would result in a reduction of $15 million below current services levels. According to a Senate Budget Committee staff analysis, the number of refugees being admitted to the U.S. each year has *doubled* over the past five years, while federal funds for cash and medical assistance to needy refugees have been reduced.

Appearances and Reality

This year's budget contains many instances where rhetoric touting expansions in domestic programs do not match the actual budget proposals. A few examples:

- The budget proposes to increase Head Start by $442 million over current services levels. However, it also proposes to terminate the Community Services Block Grant that funds local community action agencies. These agencies operate more than one-third of all Head Start programs.

- The budget speaks of a major "infant mortality initiative." However, it proposes no expansion in either Medicaid coverage for pregnant women or infants or in the WIC program -- and includes funding levels for the community health centers, migrant health centers, and the childhood immunization programs that are slightly *below* current services levels. It requests $25 million for a "one stop shopping" initiative associated with the maternal and child health block grant, but funding for the basic maternal and child health program would be frozen without any adjustment for inflation, leaving it $22 million below current services levels.

- The budget speaks of a tripling of funds for endowments for historically black colleges. Yet this increase -- of $10 million -- is almost entirely offset by a reduction of $9 million below current services levels in operating funds for these same colleges.

- The budget trumpets its proposals to increase funding for education. Total funding for the Department of Education, however, would be just one percent above current services levels -- and would be below levels in the late 1970s, after inflation is taken into account.

- The budget claims to maintain funding for the purchase of foods that are distributed to needy people under the Temporary Emergency Food Assistance Program (TEFAP). However, the budget's fine print directs that these funds first be used by the U.S. Department of Agriculture *to pay itself* for surplus food that it already has in stock and that it would distribute through the TEFAP program, anyway. As a result, the total amount of food distributed through the program would be substantially reduced (this issue is explained in more detail in Chapter IV).

Total appropriations for the low income non-entitlement programs would be cut $1.3 billion below current service levels under the Administration's proposals. (See Table 1; this table includes budget totals for a broad range of low income programs.) This reduction would continue the pattern since the Reagan Administration took office 1981. During this period, low income non-entitlement programs have been cut as sharply.

Under the Bush Administration budget proposals, the total amount of appropriations for low income non-entitlement programs would be $44.3 billion in fiscal year 1991. This is $56 billion -- or 56 percent -- *below the levels provided for these programs in fiscal year 1981, before Ronald Reagan took office* (see Table 3; these figures are adjusted for inflation). Even when subsidized housing programs are removed from this historical comparison, the aggregate funding level proposed by the Bush Administration for the other low income non-entitlement programs still would be $18 billion -- or 33 percent -- below the fiscal 1981 levels.

Low Income Entitlement Programs

While the principal low income reductions would come in non-entitlement programs, several low income entitlements would be cut as well. These include AFDC, the Supplemental Security Income (SSI) program, food stamps, the Nutrition Assistance program for Puerto Rico, foster care, state legalization impact assistance, and veterans pensions (see Tables 1 and 2).

- *AFDC and child support*: The budget would reduce AFDC emergency assistance payments by limiting the use of emergency assistance to aid families placed in welfare hotels for extended periods. These changes would be made by regulation and would reduce benefits by an estimated $25 million. An additional $23 million would be saved by requiring AFDC error rate penalties (imposed on states with error rates above the national average) to be collected on a prospective basis. Another $10 million would be saved by reducing federal reimbursement for state child support enforcement costs.

- *SSI*: Federal SSI benefits are sufficient to lift indigent elderly people who live alone to just 75 percent of the poverty line; accordingly, states are encouraged to provide supplemental SSI benefits. Some 27 states currently provide these supplemental benefits. In 18 of these states, the Social Security Administration, which operates the federal SSI program, administers the payment of the benefits. The Bush budget proposes to charge these 18 states for this service. The

budget projects that $55 million would be collected from these states next year.

- *Foster Care*: The budget proposes to place a cap on federal matching funds for state administrative expenditures in operating the foster care program. Under the cap, federal matching funds could not increase more than 10 percent per year. Because foster care costs have been rising rapidly, this proposal would result in a reduction of $121 million from what states would otherwise be reimbursed in FY 1991.[4] Like most of the other entitlement proposals described here, this would shift costs from the federal government to states, thereby squeezing state funds available for other assistance programs.

- *State Legalization Impact Assistance*: This program provides federal funds to states to help them provide health, public assistance, and education services to aliens granted amnesty under the Immigration Reform and Control Act. The budget proposes a substantial reduction[5] in the funds due the states in FY 1991 under the immigration law.

- *Food stamps and Puerto Rico*: Cuts of $70 million in the food stamp program and $149 million (below the current services level) in the food assistance program for poor households in Puerto Rico are proposed. These are described in more detail in the next chapter.

When *all* low income programs are considered -- including both entitlements and non-entitlement programs -- the Bush budget includes a reduction of $2.2 billion in budget authority (or appropriations) and $600 million in outlays (or actual expenditures that would occur during FY 1991) below current services levels.

---

[4] The reduction in FY 1991 would equal $161 million in budget authority and $121 million in outlays.

[5] The reduction would equal $537 million in budget authority and $162 million in outlays. The difference indicates that the majority of these funds would be provided to states in FY 1991 but spent by the states after fiscal year 1991.

IV. FOOD ASSISTANCE AND HOUSING PROGRAMS

In the food assistance area, the budget proposes substantial reductions in the school lunch and child care food programs and in the Nutrition Assistance Program for Puerto Rico. Support for the Temporary Emergency Food Assistance Program also would be reduced. Much smaller cuts would be made in the food stamp program, while other food assistance programs -- including the WIC program -- would be held at about current services levels.

In the housing area, the budget touts a $1.2 billion new initiative -- called HOPE -- which is designed primarily to increase opportunities for low and moderate income households to become homeowners. This is another area, however, where rhetoric surpasses actual budget proposals. Virtually all of the funds for the new initiative are offset by reductions in funding for other low income housing programs. Overall, funding for low income housing programs would decline below current service levels.

On the brighter side, the budget includes funds to renew all subsidized housing contracts scheduled to expire in fiscal year 1991. Nearly 300,000 low income households reside in housing units for which the rent is subsidized under these contracts. The budget also increases funding for programs to assist the homeless.

FOOD ASSISTANCE

School Lunch Proposals

The budget proposes to eliminate both cash and commodity support for school lunches served to children with family incomes above 350 percent of the

poverty line, or $42,350 for a family of four. The proposal, which does *not* apply to school breakfasts or to lunches served in child care institutions, would save an estimate $235 million next year.

To improve the attractiveness of this proposal, the Administration would use some of the savings to lower the price charged for "reduced price" school lunches, which are served to children with family incomes between 130 percent and 185 percent of the poverty line. The charge for these lunches would be cut from 40 cents to 20 cents. (Children with incomes below 130 percent of the poverty line receive school lunches free.) This would consume $54 million of the $235 million in savings, leaving a net budget reduction of $181 million.

Despite lowering the price charged for reduced-price meals, the proposal to eliminate federal support for school lunches for children above 350 percent of the poverty line is given little chance of passage. It would complicate administration of the lunch program and, for the first time, require children from families with incomes between 185 percent and 350 percent of the poverty line to submit applications containing information on family income. Proposals to eliminate federal support for school lunches served to middle and upper income children have been offered for a number of years. They are usually "dead on arrival" when presented on Capitol Hill.

Child Care Food Program

The budget recycles a perennial Reagan Administration proposal to apply a "means test" to the family day care component of the Child Care Food Program. Means testing was eliminated from the family day care component of the program in 1978 due to the paperwork burdens it placed on parents and individuals operating small family day care homes.

This proposal, which represents a budget reduction of $281 million, is expected to generate little interest from Congress.

The WIC Program

For the WIC program, the budget proposes $2.215 billion. This is exactly equal to the Administration's estimate of the amount needed to maintain the FY

1990 WIC funding level, after adjustment for inflation.[6] It represents a no-growth, no-cut proposal.

The WIC program reaches approximately 60 percent of the low income pregnant women, infants, and children the Department of Agriculture estimates are eligible. WIC funding has been increasing in recent years to meet more of this need. The Administration proposal would halt this pattern of growth.

Food Stamps

The budget proposes two changes to reduce food stamp costs by $70 million. First, the Administration would require food stamp households with an absent parent to cooperate with state child support enforcement agencies in establishing the paternity of the absent parent and locating the parent. Food stamp household members who do not cooperate would have their food stamp benefits cut off.

The budget projects that this would lead to increased child support collections and reduce the need for food stamps. A savings of $50 million is assumed. No estimate is provided of the reduction in benefits that would result from imposing sanctions on single parents who do not cooperating in tracking down an absent parent.

The additional $20 million reduction would come from limiting federal matching funds for state food stamp employment and training programs.[7]

Nutrition Assistance for Puerto Rico

The budget proposes a large cut in the Puerto Rico nutrition assistance block grant. The budget would transfer this program -- which replaced the food stamp program in Puerto Rico in 1982 -- from the Department of Agriculture to the Department of Health and Human Services. The proposal also would broaden

---

[6] The WIC funding level proposed in the budget is $4 million (or two-tenths of one percent) above the CBO current services estimate. The CBO current services estimate is slightly lower than the Administration's current services estimate, because CBO projects a four percent inflation rate next year while the Administration assumes a 4.2 percent inflation rate.

[7] Under current law, the federal government provides $75 million in basic grants to states for food stamp employment and training programs and also pays for 50 percent of those program costs that exceed a state's basic grant level. The budget would limit the 50 percent federal matching funds provided to any state to a maximum of $12.50 per participant per month.

the uses for which the funds may be used, while cutting program funding $149 million -- or 15 percent -- below current services levels.[8]

Temporary Emergency Food Assistance Program

On the surface, the budget maintains FY 1990 funding levels for the Temporary Emergency Food Assistance Program (TEFAP). It proposes $120 million to purchase agricultural commodities, along with $50 million to defray state and local costs in handling and distributing the commodities. These levels are identical to those for FY 1990.

This appearance of continuity is somewhat deceptive, however. Under the budget, the amount of food distributed through TEFAP would significantly decline.

Under TEFAP, the U.S. Department of Agriculture (USDA) provides surplus cheese and other government surplus food to states for distribution to needy households through emergency feeding agencies. Because the stocks of surplus food have declined greatly in recent years, legislation was enacted in 1988 requiring that the surplus foods distributed through the program be supplemented by $120 million in food purchased on the open market.

In fiscal year 1989, USDA provided the TEFAP program with $135 million worth of surplus food it had in stock, along with the $120 million of food it purchased on the open market. A total of $255 million in commodity food items was provided. This is well below the $1 billion a year in commodity foods provided in the mid-80s when USDA surpluses were at their peak.

Ostensibly, the Administration budget proposes to continue this $120 million in food purchases. Buried in the budget, however, is proposed language that would radically alter the use of these funds. Instead of being used to purchase $120 million in food on the open market, these funds first would be used to purchase the *very surplus food that USDA would be distributing through the TEFAP*

---

[8] The current program in Puerto Rico provides much lower benefits and has substantially lower income limits than the food stamp program on the U.S. mainland. This stems primarily from deep cuts in Puerto Rico food assistance in the early 1980s, when the food stamp program was terminated on the island and the current block grant was established. Moreover, block grant funding was frozen through 1986, despite increases in food prices. If the food stamp program had remained in operation in Puerto Rico (as it has in the Virgin Islands and Guam), food assistance provided to low income households on the island each year would be several hundred million dollars greater than it is now. The Administration's proposal to reduce block grant funding nearly $150 million below current services levels would further widen the disparity between food assistance provided to poor households in Puerto Rico and assistance provided in the rest of the country and in the Virgin Islands and Guam.

program, anyway. In other words, one agency of USDA would use the money to pay another USDA agency for food the Department already own. Had this approach been followed in FY 1989, USDA would have used the $120 million to pay for most of the $135 million in surplus food it was going to distribute, anyway. As a result, no funds would have remained to purchase any additional food for the program on the open market -- and the total amount of food distributed would have been $135 million, rather than $255 million.

This is an example of camouflaging a proposed reduction so that it does not appear to be a cut.

LOW INCOME HOUSING

Despite the much heralded $1.2 billion HOPE initiative to promote homeownership among low income households, the Administration's budget does not increase the overall resources for low income housing programs. With the funds for HOPE offset by cutbacks in other low income housing programs, total HUD funding for low income housing actually would decline below current services levels.

Subsidized Housing

The largest decline in total dollars would come in subsidized housing. Total funding for subsidized housing programs would be set $359 million below the levels for fiscal year 1990, after adjusting for inflation.

Many housing analysts have noted, however, that changes in annual appropriations levels for subsidized housing do not provide the truest measure of an increasing or decreasing federal commitment to subsidized housing. Rather, the single best measure of the federal commitment is the number of additional low income households assisted each year through the various subsidized housing programs. From 1974 to 1985, the number of low rent units in the private housing stock fell by 2.8 million, while the number of *poor* renter households increased by 3.2 million.[9] Because of the sharp contraction in the private low rent housing market, the number of households aided by government rental assistance programs must rise substantially each year must to keep the shortage of affordable rental housing from growing larger.

---

[9] Joint Center for Housing Studies, Harvard University, *The State of the Nation's Housing, 1989*, p. 26. Low rent units are defined as those renting for less than $300 a month, when measured in 1988 dollars.

When measured against this criterion, the Administration budget represents a continuation of -- rather than a departure from -- Reagan era housing policies.

- From fiscal years 1977 to 1980, HUD made commitments (and provided funds) to extend rental assistance to an average of 316,000 additional low income households each year.

- During the Reagan years, this commitment was cut sharply. From FY 1981 through FY 1990, the average number of additional low income households assisted each year fell to just 82,000. This represented a decline of *nearly 75 percent* from the level of commitment in the late 1970s.

- This deep retrenchment in additional low income households assisted each year is a principal reason why the number of poor renter households who receive no government housing assistance increased from four million in 1980 to 5.4 million in 1987. It is also one of the reasons why by 1985, some 45 percent of all poor renter households in the nation were paying at least 70 percent of their income for rent and utilities (1985 is the latest year for which such data are available).

- The Bush Administration budget proposes to provide housing assistance to 82,049 additional households in fiscal year 1991. While this number is 6,500 above the number aided in FY 1990, it is *virtually identical* to the average number assisted throughout the Reagan years.

  Moreover, the number of additional households aided would be *20 percent below* the number that would have been assisted under the last HUD budget submitted by former HUD Secretary Samuel Pierce and the Reagan Administration.[10]

The HOPE Initiative

The HOPE initiative (HOPE stands for "Homeownership and Opportunity for People Everywhere") contains a number of new proposals. These include grants to allow public housing residents to buy their housing units, a program to

---

[10] For further information on this comparison, see the forthcoming analysis of the housing budget by the Low Income Housing Information Service in Washington, D.C.

provide housing assistance to homeless people who are mentally ill or chronic substance abusers, a proposal to extend the current low income housing tax credit (due to expire at the end of 1990), and proposals to create 50 urban enterprise zones and 50 housing opportunity zones. The initiative would be funded by appropriations of $250 million for grants to enable tenant groups to purchase public or HUD-owned housing and $942 million to finance the remaining components (except for the tax incentive proposals).

However, the budget funds the HOPE initiative by proposing substantial reductions in other low income housing programs. Major reductions in the budget include:

- No funding would be provided for the construction of public or Indian housing. In FY 1990, some $579 million went to these activities.

- Funds for modernization of public housing would fall 10 percent (or $ 205 million) below the level necessary to maintain FY 1990 levels, after adjusting for inflation.

- The Community Development Block Grant, an important source of funds for local low income housing initiatives, would be cut $280 million, or nine percent, below current service levels. (The budget does include a proposal to allow use of CDBG funds for the construction of new housing, an activity that is currently restricted, and proposals to increase the proportion of CDBG funds that local governments must target on low income households.)

- Several low income housing programs would be terminated, including the Nehemiah Housing Opportunities Grants, the Section 8 Moderate Rehabilitation program, and the Congregate Housing Services program for the elderly.

The reduction in funding for these and other low income housing programs would exceed the funding increases requested under the HOPE initiative.

Rural Housing Programs

The Bush budget proposals also would restructure the major rural housing programs operated by the Farmers Home Administration (FmHA) of the U.S. Department of Agriculture. The Administration would replace the current direct loan program for low income rural households with a program providing FmHA

guarantees of private sector loans. This change would reduce the number of additional households receiving subsidized loan assistance. In FY 1990, some 43,000 households will receive subsidized loans; in FY 1991, subsidized loans would fall to 31,000 under the budget. To offset part of the reduction, the Administration would institute a new rural housing voucher program to serve an additional 8,000 low income rural renters.

Expiring Housing Contracts

The Administration's housing budget strikes a more positive note is its inclusion of $7.7 billion to renew the nearly 295,000 subsidized housing contracts scheduled to expire in fiscal year 1991.[11] If these contracts are not renewed, most owners will begin charging their tenants market rate rents. This will force most low income households now living in these units either to vacate the units or to pay extremely high proportions of their limited income for rent.

The funds requested to renew these contracts would not add to the low income housing stock or ease the acute shortage of affordable housing. Rather, they would *retain* units already in the low rent housing stock. If these contracts are not renewed, the stock of federally subsidized housing will shrink significantly – and the shortage of housing affordable for low income households will become even more severe. The budget proposes renewing these contracts for five years.

Assistance for the Homeless

The Administration's budget provides a significant increase in assistance to the homeless. The budget includes $749 million in programs authorized under the Stewart B. McKinney Homeless Assistance Act, an increase of $126 million – or 20 percent – above current service levels.

The principal increase would come in rental housing assistance. A new program would be instituted providing rental assistance vouchers for homeless adults who are mentally ill or recovering substance abusers. The program, which is part of the HOPE initiative, would receive $161 million in FY 1991. State and local governments would be required to match these funds dollar-for-dollar with additional funds for social services for these adults. The new program would

---

[11] Technically, the 295,000 units include some units for which the contract expires in early FY 1992, but the funds for the contract renewals must be funded in FY 1991 to ensure the renewals are accomplished in time.

replace a McKinney Act homeless housing program that received $11 million for FY 1990.

Overall funding for other homeless programs authorized under the McKinney Act would be frozen at $588 million – some $24 million (or four percent) below current services levels. Within this aggregate amount, some homeless programs would receive increases, while others would decrease. Among the programs slated for increases are the transitional and supportive housing demonstration, the health care program for the homeless, and grants to states for special services to the homeless. Among the programs the budget would reduce are the emergency shelter grants program, the emergency food and shelter program, and moderate rehabilitation of single room occupancy units.

Funding for some of these programs would be below the full amounts authorized under the McKinney Act. For example, despite a proposed increase for homeless health care to $46 million in fiscal year 1991, the program would remain well below its fully authorized level for FY 1990 of $64 million.

V. DEFENSE BUDGET[12]

Under the Administration's budget proposal, defense appropriations would grow from $301.6 billion in fiscal year 1990 to $306.9 billion in fiscal year 1991. This $5.2 billion increase is about two percent less than a full inflation increase.

Actual defense expenditures (or outlays) would rise from $296.3 billion in fiscal year 1990 to $303.3 billion in fiscal year 1991. This is $3.2 billion less than a full inflation adjustment would provide.

Yet even these modest changes (compared with a full inflation adjustment) may be less than meets the eye. Analyses by both the Defense Budget Project (DBP) and the Senate Budget Committee staff have found sleight-of-hand budgeting techniques underlying these numbers.

- DBP compared the proposed $303.3 billion spending level with the spending levels reflected in a more costly "wish list" budget drawn up by the Pentagon last April. It found that $15 billion in "savings" below the April levels were attributed to management efficiencies and an undefined "budget scrub" -- rather than to actual program reductions. This casts doubt over how much of the $15 billion in savings will actually materialize.

[12] Much of the material in this chapter is drawn from *Analysis of the President's FY 1991 Defense Budget Request*, a report issued by the Defense Budget Project. The report is available from DBP, which is housed at the Center on Budget and Policy Priorities, 236 Massachusetts Avenue, NE, Suite 401, Washington, D.C. 20002, (202) 546-9737.

- Both DBP and the Senate Budget Committee reported that $2.7 billion in savings, below the April levels, would be achieved in FY 1991 by drawing down Pentagon stocks of spare parts rather than purchasing additional spare parts. While this may provide legitimate savings in FY 1991, it cannot be repeated indefinitely -- and thus fails to contribute significantly to long-term reduction in Pentagon spending.

- DBP also noted that the Pentagon was able to reduce its request for FY 1991 appropriations for by $1.4 billion by transferring into FY 1991 some $1.4 billion in funds that were appropriated for FY 1990.

These budget devices led DBP to conclude that the Administration's defense budget "achieves most of its savings through one-year reductions."

The Senate Budget Committee staff commentary was still harsher. It noted that $5 billion of "savings" would come "not from actual program changes" but from the "payment shift" related to spare parts and "*assumed* management efficiencies." The Committee staff concluded that "the actual defense program of weapons acquisition and force structure proposed by the Administration" would produce actual expenditures nearly $2 billion *above* current spending levels, after adjusting for inflation.

"In spending for defense, the Cold War specter that no longer haunts Europe still haunts the Bush budget," said Senator James Sasser, the Budget Committee chairman. "In short, the build-up goes on..."

Several other aspects of the Administration's budget proposals for defense are worth noting.[13]

- While defense appropriations would be two percent below current service levels (that is, FY 1990 levels plus inflation), this rate of reduction from current services levels is *lower* than the average rate of reduction over the past five years. From FY 1985 to FY 1990, defense appropriations declined an average of 2.7 percent per year, after adjusting for inflation. The proposal for only a two percent after-inflation decline in FY 1991 -- despite the momentous events in Eastern Europe and the Soviet Union -- is another indicator that the budget represents "more of the same" rather than a departure from the past.

---

[13] Unless otherwise noted, the material that follows is drawn from the DBP analysis.

- Under the budget, defense appropriations would remain significantly higher, after adjusting for inflation, than in any peacetime year before the build-up of the 1980s. The FY 1991 defense budget would be 32 percent above the FY 1980 level. The year 1980 marked one of the more tense periods of the Cold War, with Soviet troops invading Afghanistan and American civilians held hostage in Iran.

- Looked at another way, the Administration's defense spending level would be $70 billion higher than the average levels during peacetime years from 1953 (the end of the Korean War) through 1979. This is true even though the Cold War was hotter in those years and the Soviet threat far more serious than today.[14]

In addition, the budget preserves Pentagon plans to build the next generation of strategic nuclear weapons. Large funding increases are requested for the MX missile, the advanced cruise missile, the B-2 (Stealth) bomber, and the Strategic Defense Initiative, among other weapons systems. These proposals to move forward with all major strategic weapons systems have major implications for future defense budgets. A number of these weapons systems are now in their early stages. These systems consume far fewer resources now than they will in future years. To achieve large savings in defense spending later in the 1990s requires making choices now or in the near future among these weapons systems and canceling some. If this is not done, the savings achieved in the defense budget during the 1990s will be much smaller than otherwise could occur.

A Double Standard

In a number of places, the Administration's budget uses a double standard in portraying the proposed changes in defense and domestic spending.

In the White House summary distributed to reporters with the budget, the proposed defense funding levels for FY 1991 were compared with the substantially higher defense levels the White House had sought in the past. The Administration also has compared the defense levels proposed in the new budget with the FY 1990 defense level plus inflation. Either approach enables the Administration to present its defense request as a cut.

Where domestic programs are concerned, however, the White House consistently has compared its proposed funding levels for FY 1991 with actual levels for FY 1990, *without any adjustment for inflation*. This enables the Administration to take funding increments that are too small to keep pace with inflation – and to describe them as proposed increases.

If the White House portrayed its defense proposals in the same way it describes the domestic budget, defense appropriations would show an increase of $5.2 billion over FY 1990 levels while defense outlays would represent a $6.9 billion increase.

[14] These figures are drawn from the Senate Budget Committee staff analysis.

The decisions made on these weapons systems are thus likely to have major impact both on the levels of deficit reduction attainable in the years ahead and on the size of the "peace dividend" available to address unmet domestic needs.

VI. PROPOSALS THAT MAKE THE TAX SYSTEM MORE REGRESSIVE

The tax proposals in the Bush budget would make the tax system more regressive.[15] They come as Census data show the gaps between the wealthy and the rest of the society at a 40-year high -- and as Congressional Budget Office studies document that over the past decade, tax burdens have been reduced for upper income households while being increased for low and moderate income groups.

Growing Income Disparities

Census data for 1988 (the latest year for which these data are available) show the income gap between rich and poor families was wider that year than in any year since the Census Bureau began collecting these data in 1947. The gap between wealthy and middle income families also was wider than for any other year on record.

The wealthiest fifth of all families received 44 percent of the national family income in 1988. This was the largest share ever recorded. By contrast, the share of national family income going to the middle three-fifths of all families -- all except those in the richest and poorest fifths -- was the smallest ever recorded. In addition, the share of national family income going to the poorest fifth of families (who received just 4.6 percent of the national family income) was close to the lowest on record and was tied for the lowest since 1954.

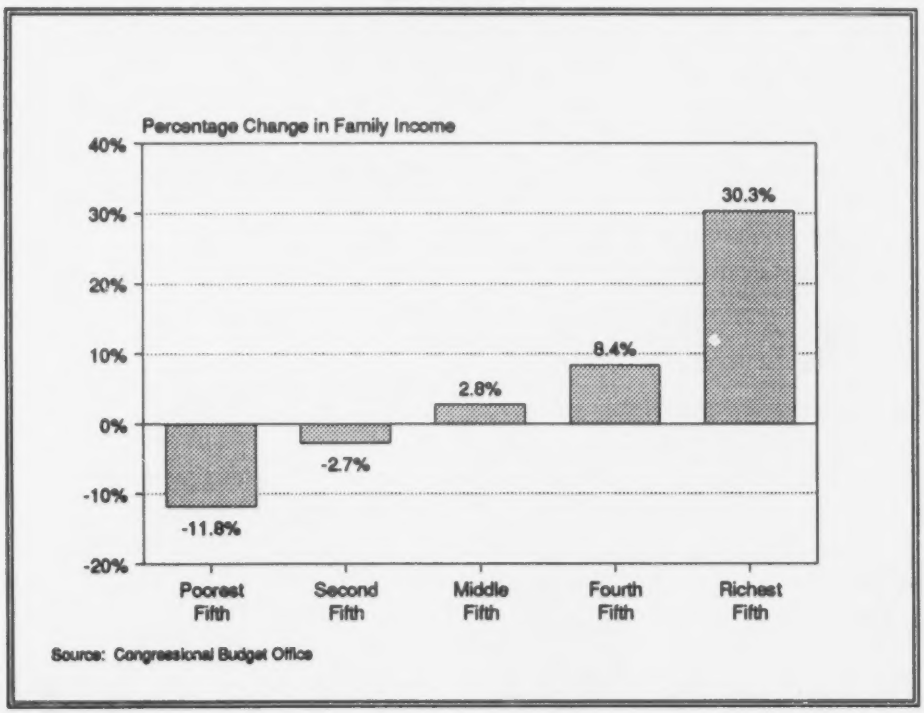
---

[15] A regressive tax is one that consumes a larger proportion of the income of lower income taxpayers than of higher income taxpayers. The current tax system is considered mildly progressive.

These data recently have been supplemented by a new analysis of Census data prepared by the nonpartisan Congressional Budget Office. CBO examined the Census data, made projections forward to 1990, and compared income levels and tax burdens for 1990 with those in 1977 and 1980.

CBO found that from 1977 to 1990, the average income of the poorest fifth of families fell by nearly 12 percent, after adjustment for inflation. During the same period, the average income of those in the middle fifth of families edged up 2.8 percent. However, the average income of the top fifth of families jumped 30 percent -- while those in the richest five percent experienced an average income gain of 48 percent.

Figure 1
Changes in Family Income
1977 - 1990

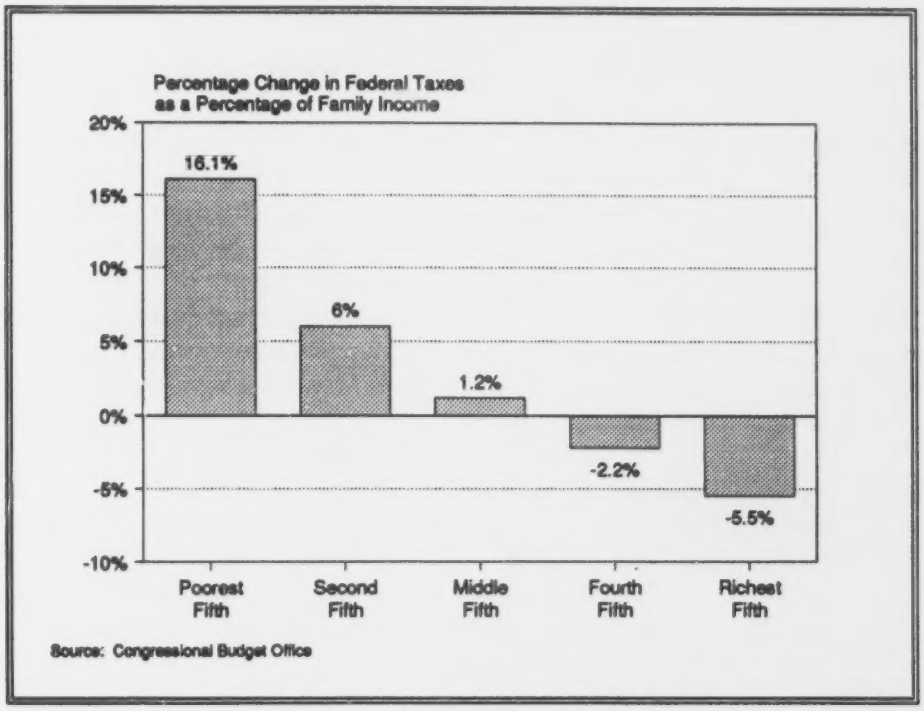


Similarly, from 1980 to 1990, those in the poorest fifth experienced an average income loss of 3.2 percent, but those in the top fifth realized an average gain of 31.7 percent -- and those in the top five percent secured an average income increase of 46.1 percent.

Increasingly Regressive Tax Burdens

The CBO analysis also found that while incomes were becoming more unequal, federal tax burdens borne by lower and middle income families were increasing, and the tax burdens of wealthy families were declining.

Figure 2
Changes in Federal Tax Burdens
1980 - 1990



- CBO found that from 1980 to 1990, the percentage of income that the poorest fifth of families pay in federal taxes *rose 16.1 percent*. This analysis covers all major federal taxes, including income, payroll, and excise taxes. It measures the percentage of income paid in taxes by the average family in each income fifth.

- The percentage of income paid in taxes by the next-to-the-poorest fifth of families also increased, rising by six percent. The average tax burden for those in the middle fifth of families climbed 1.2 percent.

- At the top of the income scale, this pattern was reversed. Among wealthy families, the percentage of income eaten up by federal taxes decreased. From 1980 to 1990, the percentage of income paid in federal taxes by families in the top fifth *dropped* 5.5 percent. For those in the wealthiest five percent of families, the percentage of income paid in federal taxes declined 9.5 percent.

In short, at a time when the income gap between the wealthy and the rest of the society was already widening, federal tax policy served to widen it further.

The Administration's New Tax Proposals: The Capital Gains Tax Cut

The Administration's new tax proposals should be considered against this background of growing inequality -- and of a shift in tax burdens from wealthy households to lower and middle income households. A critical question is whether the tax proposals would ameliorate or exacerbate these trends.

The centerpiece of the Administration's tax program is its proposal to cut the taxes paid on capital gains. The Joint Congressional Committee on Taxation has analyzed the distribution of the tax cuts that would result from the proposal.[16] The Committee has reported that:

- Some 66 percent of the benefits from the Administration's proposal to cut capital gains taxes would go to a tiny fraction of American taxpayers -- the one percent of taxpayers with incomes of more than $200,000 a year. Some 681,000 wealthy taxpayers in this high income bracket would benefit from this tax cut -- and reap an average windfall of *more than $15,000 a year.*

- Some 83 percent of the benefits from the tax cut would go the top three percent of taxpayers, those with incomes exceeding $100,000 a year.

- By contrast, while more than three-fifths of all American taxpayers have incomes below $30,000 a year, only a little more than one

---

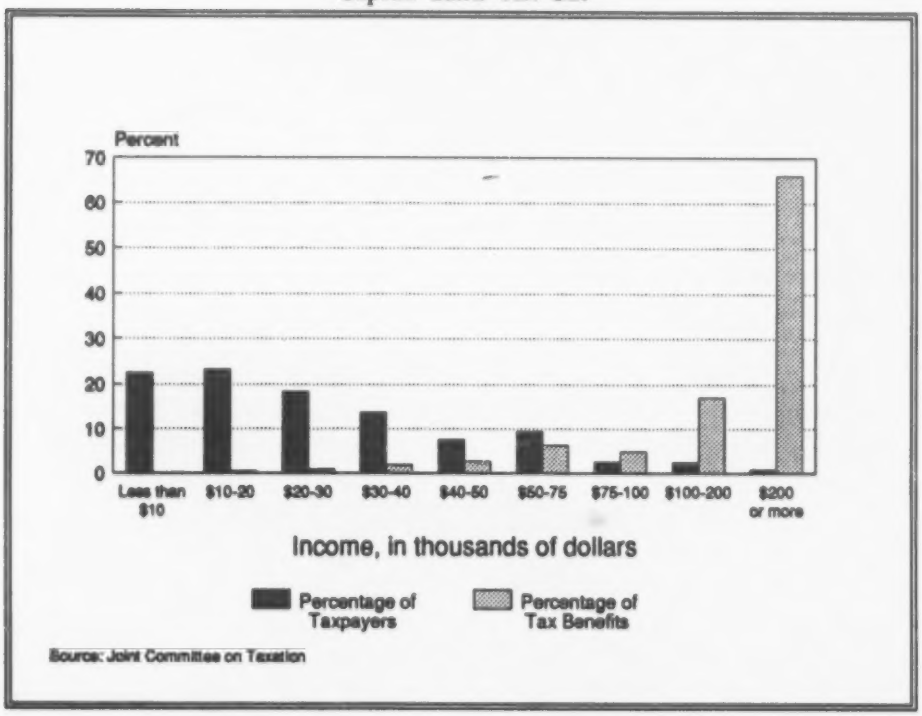
[16] Joint Committee on Taxation Staff Estimate (JCX-5-90) of Administration Proposal for Reduction of Taxes in Capital Gains of Individuals, February 14, 1990. This document provides data on the distribution of the tax benefits from this proposal among taxpayers in different income brackets. Data on the proportion of taxpayers in each income bracket are from Joint Committee on Taxation Staff, *Estimates of Federal Tax Expenditures for Fiscal Years 1990 - 1994*, February 28, 1989. Both sets of data reflect 1990 income levels.

percent of the benefits from the capital gains tax cut would go to these taxpayers.

- Moreover, less than six percent of the tax benefits would go to the 85 percent of taxpayers with incomes below $50,000 a year.

- In any given year, more than 90 percent of all American taxpayers would receive no benefit from the cut in capital gains taxes. Most of the benefit that did result would accrue to those at the top of the income spectrum.

Figure 3
Distribution of Tax Benefits from
Capital Gains Tax Cut



A recent analysis by the Congressional Budget Office finds similar results. The CBO study found that in 1990, an estimated 61 percent of all capital gains income will accrue to taxpayers with incomes of $200,000 or more, while 77

percent of the capital gains income will accrue to those in the $100,000 and up income bracket.[17]

Both the Joint Tax Committee and the Congressional Budget Office also have found that over time, a capital gains tax cut would lose large amounts of revenue and significantly increase the federal deficit. The Joint Tax Committee's analysis of the President's capital gain proposal finds that it would increase federal revenue in fiscal year 1991 as taxpayers cashed in assets to benefit from the new tax break. But it also finds that this effect would be only temporary. In years after FY 1991, the Joint Tax Committee reported, the Administration's proposal would cause a loss in revenue of between $3 billion and $4.5 billion a year. As a result, after fiscal year 1991, the capital gains tax cut would make it harder to hit the Gramm-Rudman-Hollings deficit targets unless the tax cut were "paid for" by reductions in government programs or increases in other taxes.

The Family Savings Plan

The budget also includes a proposal to establish "Family Savings Accounts." Married tax filers with adjusted gross incomes of up to $120,000 could put up to $5,000 in such an account. If they did not make withdrawals for seven years, these families would get to keep all the interest tax-free. (Single filers with incomes of up to $60,000 also could participate; they could deposit up to $2,500 for seven years and receive the interest tax-free.)

The Administration has portrayed this proposal as a middle class tax cut unavailable to the wealthy. In reality, the typical middle class family would not benefit from this proposal, while those in the top fifth would likely be the principal beneficiaries.

Simply stated, the typical middle income family -- with an adjusted gross income in the $25,000 to $35,000 range -- cannot afford to put away $5,000 for seven years. Few such families now take advantage of Individual Retirement Accounts, under which with families with incomes of less than $40,000 can put away up to $2,000 each year and get an *immediate* tax deduction for the full amount they deposit. If such families do not make use of a current tax break

---

[17] The figures used here for taxpayers' incomes include adjusted gross income plus untaxed income such as tax-exempt interest, the untaxed portion of Social Security benefits, other non-taxable benefit payments, and deductible IRA and Keogh contributions. "Losses" from tax shelters that have been subtracted in computing adjusted gross income are added back. These figures thus reflect a full measure of taxpayer income. See Congressional Budget Office, *The Distribution of Benefits from a Reduction in the Tax Rate on Capital Gains*, October 1989. The figures from the Joint Tax Committee reflect a similarly broad measure of taxpayer income.

providing an immediate tax benefit, it is unlikely they will take advantage of a Family Savings Account with *no* immediate tax break. (Under the Family Savings Plan, the tax break would be spread over the ensuing seven year period; during that time, the interest earned by the account would be tax-free.)

Those most likely to take advantage of the Family Savings Account are those with incomes closer to the $120,000 upper income limit, who can afford to salt away $5,000 for seven years. It is likely that many of these individuals would transfer $5,000 they have already placed in another type of savings or securities account into a new Family Savings Account in order to increase the after-tax return on their investment.

Moreover, the $120,000 upper income limit would exclude from the Family Savings Plan only about the wealthiest three percent of married couple families. Many others in the top fifth of the income scale could still benefit from it. In addition, this $120,000 limit excludes only those with *adjusted gross income* above this level. Since adjusted gross income does not include such income as interest on state and local government bonds, and since it reflects income after tax shelter "losses" have been subtracted, some individuals with overall incomes well in excess of $120,000 still would qualify.

While the family savings plan has been presented as a mechanism to increase the national savings rate, the proposal is as likely to reduce the savings rate as to increase it. To increase the national savings rate, the Administration's proposed tax breaks must increase savings by an amount greater than the tax breaks would lose in revenues. Each dollar lost in revenue is a dollar the government must borrow from funds that have otherwise been saved, thereby reducing the savings remaining for private investment. Many of the funds placed into Family Savings Accounts, however, are likely to be shifted from other accounts – and thus are funds already being saved, rather than *new* savings. As a result, it is doubtful that the increase in savings resulting from this new tax break would exceed the loss in revenues.[18] The Administration's own estimates indicate

---

[18] Last year, the Congressional Budget office analyzed an IRA proposal that had some similarities to the Administration's Family Savings Plan. Like the Family Savings Plan, the IRA proposal in question would have provided no immediate tax deduction. Also, like the Family Savings Plan, the interest earned on the IRA deposits would be permanently tax-free. The differences between the plans are that the maximum IRA contribution would be $2,000 and to receive the interest tax-free the funds would have to be left in an IRA account until the taxpayer reached age 59-1/2.

In analyzing this proposal, CBO stated: "...the proposal must raise private saving by more than it adds to the federal deficit in order to increase national saving. But the [proposal] cannot be counted on to have such an effect." Congressional Budget Office, *The IRA Plus Proposal Contained in S. 1771: Effects on Long-Term Revenues and on Incentives for Saving*, October 25, 1989.

that by the fifth year, the revenue loss from the Family Savings Plan would equal $1.6 billion a year.

Tables

TABLE 1: PROPOSED CHANGES IN LOW INCOME FUNDING, FY 1990 - FY 1991

(Budget Authority, in millions)

	CBO FY1990 ESTIMATED BA	OMB FY 1991 BASELINE BA 1/	FY 1991 PROPOSED BA	DIFFERENCE FROM BASELINE	PERCENT CHANGE
ENTITLEMENTS AND MANDATORY SPENDING					
AFDC & CHILD SUPPORT 2/	11,708	12,657	12,625	(32)	-0.3%
CHILD CARE TAX CREDITS	0	0	157	157	NA
EARNED INCOME TAX CREDIT	4,104	4,369	4,369	0	0.0%
FOOD STAMPS	14,910	15,477	15,407	(70)	-0.5%
FOSTER CARE & ADOPTION ASSISTANCE	1,803	2,088	1,927	(161)	-7.7%
HUNGER PREVENTION COMMODITIES	157	152	152	0	0.0%
JOB TRAINING FOR WELFARE RECIPIENTS 3/	330	1,000	1,000	0	0.0%
MEDICAID	39,475	44,927	44,927	0	0.0%
NUTRITION ASSISTANCE TO PUERTO RICO	937	974	825	(149)	-15.3%
SOCIAL SERVICES BLOCK GRANT (TITLE XX)	2,762	2,800	2,800	0	0.0%
STATE LEGALIZATION IMPACT ASSISTANCE	360	840	303	(537)	-63.9%
SUPPLEMENTAL SECURITY INCOME (SSI)	12,400	14,401	14,401	0	0.0%
VETERANS PENSIONS	3,822	3,762	3,714	(48)	-1.3%
Total Entitlements	92,768	103,447	102,607	(840)	-0.8%

DISCRETIONARY LOW INCOME PROGRAMS	CBO FY 1990 ESTIMATED BA	CBO FY 1991 BASELINE BA	FY 1991 PROPOSED BA	DIFFERENCE FROM BASELINE	PERCENT CHANGE
EDUCATION					
COMPENSATORY EDUCATION (CHAPTER 1)	5,368	5,583	5,839	256	4.6%
EDUCATION FOR THE HOMELESS 4/	5	5	8	2	44.1%
FINANCIAL AID FOR NEEDY STUDENTS	6,091	6,334	6,352	18	0.3%
HEAD START	1,387	1,442	1,886	444	30.7%
HIGHER EDUCATION (TRIOS)	242	252	270	18	7.2%
INDIAN EDUCATION (BIA + EDUC)	355	373	382	9	2.4%
Total Low Income Education	13,448	13,989	14,736	747	5.3%
HOUSING					
EMERGENCY FOOD AND SHELTER 4/	130	135	125	(10)	-7.4%
EMERGENCY SHELTER GRANTS 4/	73	76	71	(5)	-6.6%
HOPE HOUSING GRANTS	0	0	250	250	NA
HOUSING FOR THE ELDERLY & HANDICAPPED 5/	473	492	283	(210)	-42.6%
HOUSING COUNSELING	3	4	3	(1)	-12.5%
HOUSING CONGREGATE SERVICES	6	6	0	(6)	-100.0%
NEHEMIAH HOUSING PROGRAM	25	26	0	(26)	-100.0%
PUBLIC HOUSING OPERATING SUBSIDIES	1,694	1,762	1,826	64	3.7%
PUBLIC HOUSING DRUG ELIMINATION GRANTS 6/	98	102	150	47	46.3%
RENTAL HOUSING FOR THE HOMELESS 4/	11	11	161	149	1304.7%
RURAL HOUSING INSURANCE FUND 5/	1,906	1,982	1,027	(955)	-48.2%
ADDITIONAL RURAL HOUSING PROGRAMS 7/	52	53	35	(18)	-34.0%
RURAL HOUSING VOUCHERS	0	0	190	190	NA
SUBSIDIZED HOUSING 8/	7,322	7,615	7,256	(359)	-4.7%
SUBSIDIZED HOUSING RENEWALS 9/	1,074	7,735	7,735	0	0.0%
TRANSITIONAL AND SUPPORTIVE HOUSING 4/	127	132	143	11	8.3%
URBAN HOMESTEADING GRANTS	24	25	50	25	100.0%
Total Low Income Housing	13,018	20,156	19,304	(852)	-4.2%

	CBO FY 1990 ESTIMATED BA	CBO FY 1991 BASELINE BA	FY 1991 PROPOSED BA	DIFFERENCE FROM BASELINE	PERCENT CHANGE
NUTRITION					
COMMODITY SUPPLEMENTAL FOOD PROGRAM	65	68	63	(5)	-7.5%
FOOD DONATIONS FOR LOW INCOME GROUPS	204	212	225	13	6.1%
TEMPORARY EMERGENCY FOOD ASSISTANCE	50	52	50	(2)	-3.8%
WIC SUPPLEMENTAL FOOD PROGRAM	2,126	2,211	2,215	4	0.2%
Total Nutrition	2,445	2,543	2,553	10	0.4%
HEALTH					
COMMUNITY HEALTH CENTERS	459	477	474	(3)	-0.7%
FAMILY PLANNING	139	145	0	(145)	-100.0%
HEALTH CARE FOR THE HOMELESS 4/	34	35	46	10	29.0%
HOMELESS MENTAL HEALTH 4/	34	35	40	4	12.3%
IMMUNIZATION GRANTS	156	162	153	(10)	-5.9%
INDIAN HEALTH	1,181	1,245	1,282	37	3.0%
INDIAN HEALTH FACILITIES	72	75	13	(62)	-82.7%
MATERNAL & CHILD HEALTH 10/	554	576	579	3	0.5%
MIGRANT HEALTH	47	49	48	(1)	-1.6%
MINORITY HEALTH INITIATIVE	0	0	90	90	NA
NATIONAL HEALTH SERVICE CORPS	42	43	42	(1)	-2.7%
Total Low Income Health	2,718	2,844	2,767	(77)	-2.7%
EMPLOYMENT					
JOB TRAINING FOR THE HOMELESS 4/	11	12	13	1	10.2%
OLDER AMERICANS EMPLOYMENT	357	371	343	(28)	-7.6%
TRAINING & EMPLOYMENT SERVICES	3,929	4,088	4,170	82	2.0%
Total Low Income Employment	4,297	4,471	4,526	55	1.2%
OTHER					
CHILD WELFARE SERVICES	252	262	300	38	14.5%
COMMUNITY DEVELOPMENT BLOCK GRANT	2,915	3,032	2,752	(280)	-9.2%
COMMUNITY SERVICES BLOCK GRANT 4/	389	404	42	(362)	-89.6%
LEGAL SERVICES	317	329	317	(13)	-3.8%
LOW INCOME ENERGY ASSISTANCE	1,393	1,449	1,050	(399)	-27.5%
LOW INCOME WEATHERIZATION	162	171	0	(171)	-100.0%
OTHER McKINNEY HOMELESS PROGRAMS 4/	50	52	23	(29)	-55.3%
REFUGEE ASSISTANCE	369	384	369	(15)	-3.9%
RUNAWAY AND HOMELESS YOUTH	28	29	29	(0)	-1.4%
VETERANS HOMELESS PROGRAMS 4/	30	31	30	(1)	-3.8%
VISTA	29	30	39	9	30.6%
Total Other Low Income Discretionary	5,934	6,173	4,951	(1,222)	-19.8%
TOTAL LOW INCOME DISCRETIONARY	41,860	50,176	48,837	(1,339)	-2.7%
Total Less Subsidized Housing & Renewals	33,464	34,826	33,846	(980)	-2.8%
TOTAL ENTITLEMENT AND DISCRETIONARY	134,628	153,623	151,444	(2,179)	-1.4%
Total less Subsidized Housing	126,232	138,273	136,453	(1,820)	-1.3%

Note: Numbers may not add due to rounding. A (0) figure indicates a funding reduction of between $1 and $500,000, while a 0 may indicate an increase of less than $500,000.

1/ For low income entitlement programs, current services levels are those shown in the OMB baseline as published in the Budget of the United States Government, FY 1991. For low income discretionary programs current service levels are those shown in the Congressional Budget Office's preliminary current services baseline as of January 1990. The baseline estimates how much funding would be necessary to maintain FY 1990 levels with adjustments for inflation from FY 1990 to FY 1991. CBO estimates that the inflation rate will be four percent for this period.

2/ The AFDC program would be also lose $25 million as a result of regulatory changes limiting the use of welfare hotels for homeless families. This reduction is not part of the $32 million reduction shown in the table. It is omitted from the table because regulatory changes are included in OMB's baseline.

3/ Programs to provide employment and training for welfare recipients were restructured by the Family Support Act of 1988. Until FY 1989, appropriations for these programs were provided largely through the Work Incentive Program (WIN), a discretionary program funded at a $91 million level in FY 1989. WIN is now being phased out; it received a final $20 million appropriation for FY 1990. The WIN program is being replaced by the new Job Opportunities and Basic Skills program (JOBS), a mandatory spending program.

4/ These programs are part of the Mckinney Homeless Assistance programs.

5/ These programs are loan programs rather than direct spending programs. Therefore, levels listed here are loan limits (which provide the best measure of program activity for FY 1990) rather than appropriations levels.

6/ In FY 1990, public housing drug elimination grants were funded through the subsidized housing and operating subsidies for public housing budget accounts. The Administration's budget proposes a separate funding account for these grants in FY 1991.

7/ These programs included domestic farm labor housing, mutual and self-help housing, very low income housing repair grants and rural housing preservation grants.

8/ The subsidized housing account includes funding for public housing modernization and a number of the administration's new HOPE housing initiatives. The proposed appropriation for public housing modernization is more than $125 million below last year's level. The subsidized housing account includes some $782.4 million in appropriations for HOPE initiative programs. FY 1990 figures for the subsidized housing account are from OMB. The FY 1991 baseline uses the OMB FY 1990 figure and the Congressional Budget Office's inflation estimate.

9/ Some 294,495 of federally subsidized housing units are covered by multi-year housing contracts that come up for renewal in FY 1991. New appropriations are necessary to renew these contracts and keep these currently subsidized units in the low income housing inventory. If the contracts are not renewed, the landlords will begin charging low income tenants full market-rate rents for these units, forcing many of these tenants to vacate. The appropriations to renew these contracts are funded in an account separate from the other subsidized housing programs.

The CBO baseline for contract renewals is determined by the amount appropriated in FY 1990 plus an adjustment for inflation, as mandated by the Gramm-Rudman-Hollings (GRH) law. The number of contracts up for renewal in FY 1991 is more than seven times the number of renewals in FY 1990.

Last year, the full amount of appropriations needed for contract renewals, rather than the amount calculated using the GRH formula, was included in the baseline in a modified CBO baseline used by the budget committees in preparing the FY 1990 budget. CBO has calculated an adjusted preliminary baseline to reflect the full costs of contract renewals. OMB has estimated the full cost for contract renewals at $7.7 billion. OMB's estimate of these costs is used as the baseline figure here.

10/ The Maternal and Child Health account includes $25 million for the Administration's "One-Stop Shopping" infant mortality initiatives. Without these initiatives, the Maternal and Child Health program would have its funding cut $22 million below the baseline.

11/ The Minority Health Initiative listed here includes the two largest components of a multi-faceted initiative which would provide benefits to low income households. These two components are $35 million for the delivery of health services in public housing projects and $55 million for the National Health Service Corps to recruit disadvantaged and minority health professions students to practice in underserved areas.

TABLE 2: PROPOSED CHANGES IN LOW INCOME FUNDING, FY 1990 - FY 1991

(Outlays, in millions)

	CBO FY 1990 ESTIMATED OUTLAYS	OMB FY 1991 BASELINE OUTLAYS 1/	FY 1991 PROPOSED OUTLAYS	DIFFERENCE FROM BASELINE	PERCENT CHANGE
			(in millions)		
ENTITLEMENTS AND MANDATORY SPENDING					
AFDC & CHILD SUPPORT	11,956	12,664	12,632	(32)	-0.3%
CHILD CARE TAX CREDITS	0	0	157	157	NA
EARNED INCOME TAX CREDIT	4,104	4,369	4,369	0	0.0%
FOOD STAMPS	14,373	15,467	15,399	(68)	-0.4%
FOSTER CARE & ADOPTION ASSISTANCE	1,715	1,907	1,786	(121)	-6.3%
HUNGER PREVENTION COMMODITIES	157	152	152	0	0.0%
JOB TRAINING FOR WELFARE RECIPIENTS	301	880	880	0	0.0%
MEDICAID	39,475	44,927	44,927	0	0.0%
NUTRITION ASSISTANCE TO PUERTO RICO	936	974	823	(151)	-15.5%
SOCIAL SERVICES BLOCK GRANT (TITLE XX)	2,768	2,798	2,798	0	0.0%
STATE LEGALIZATION IMPACT ASSISTANCE	725	763	601	(162)	-21.2%
SUPPLEMENTAL SECURITY INCOME (SSI)	12,433	14,401	14,401	0	0.0%
VETERANS PENSIONS	3,553	3,768	3,720	(48)	-1.3%
Total Entitlements	92,496	103,070	102,645	(425)	-0.4%
DISCRETIONARY LOW INCOME PROGRAMS	CBO FY 1990 ESTIMATED OUTLAYS	CBO FY 1991 BASELINE OUTLAYS	FY 1991 PROPOSED OUTLAYS	DIFFERENCE FROM BASELINE	PERCENT CHANGE
EDUCATION					
COMPENSATORY EDUCATION (CHAPTER 1)	4,618	5,231	5,157	(74)	-1.4%
EDUCATION FOR THE HOMELESS 5/	5	6	5	(0)	-1.8%
FINANCIAL AID FOR NEEDY STUDENTS	5,966	6,030	6,454	424	7.0%
HUMAN DEVELOPMENT SERVICES 2/	2,506	2,815	3,014	199	7.1%
HIGHER EDUCATION FOR NEEDY STUDENTS 3/	575	619	612	(7)	-1.1%
INDIAN EDUCATION (BIA & DEPT. OF EDUC.)	350	367	382	15	4.1%
Total Low Income Education	14,020	15,068	15,624	557	3.7%
HOUSING					
EMERGENCY FOOD AND SHELTER 5/	130	135	125	(10)	-7.4%
EMERGENCY SHELTER GRANTS 5/	40	66	66	0	0.0%
HOPE HOUSING GRANTS	0	0	0	0	0.0%
HOUSING FOR THE ELDERLY & HANDICAPPED	411	460	414	(46)	-10.0%
HOUSING COUNSELING	4	4	4	(1)	-12.5%
HOUSING CONGREGATE SERVICES	5	6	5	(1)	-16.7%
NEHEMIAH HOUSING PROGRAM	6	21	19	(2)	-9.5%
PUBLIC HOUSING OPERATING SUBSIDIES	1,715	1,820	1,819	(1)	-0.1%
PUBLIC HOUSING DRUG ELIMINATION GRANTS	49	52	126	74	141.3%
RENTAL HOUSING FOR THE HOMELESS 5/	11	11	5	(6)	-50.9%
RURAL HOUSING INSURANCE FUND 6/	3,161	3,256	2,491	(765)	-23.5%
ADDITIONAL RURAL HOUSING PROGRAMS 7/	52	50	47	(3)	-5.2%
RURAL HOUSING VOUCHERS	17	15	22	7	46.7%
SUBSIDIZED HOUSING	13,793	14,232	14,718	486	3.4%
SUBSIDIZED HOUSING RENEWALS 8/ 4/	0	400	400	0	0.0%
TRANSITIONAL AND SUPPORTIVE HOUSING 5/	33	81	78	(3)	-3.7%
URBAN HOMESTEADING GRANTS	24	25	50	25	100.3%
Total Low Income Housing	19,451	20,634	20,388	(246)	-1.2%

	CBO FY 1990 ESTIMATED OUTLAYS	CBO FY 1991 BASELINE OUTLAYS	FY 1991 PROPOSED OUTLAYS	DIFFERENCE FROM BASELINE	PERCENT CHANGE
NUTRITION					
COMMODITY SUPPLEMENTAL FOOD PROGRAM 4/	63	67	62	(5)	-7.5%
FOOD DONATIONS FOR LOW INCOME GROUPS 4/	207	210	222	12	5.7%
TEMPORARY EMERGENCY FOOD ASSISTANCE	50	51	50	(1)	-2.0%
WIC SUPPLEMENTAL FOOD PROGRAM	2,102	2,206	2,210	4	0.2%
Total Nutrition	2,422	2,534	2,544	10	0.4%
HEALTH					
HEALTH CARE SERVICES 9/	1,438	1,548	1,502	(46)	-3.0%
HOMELESS MENTAL HEALTH 5/	30	32	36	4	13.9%
INDIAN HEALTH	1,188	1,222	1,282	60	4.9%
INDIAN HEALTH FACILITIES	82	76	79	3	3.9%
Total Low Income Health	2,738	2,878	2,899	21	0.7%
EMPLOYMENT					
JOB TRAINING FOR THE HOMELESS 5/	11	11	11	0	0.9%
OLDER AMERICANS EMPLOYMENT	346	359	353	(6)	-1.6%
TRAINING & EMPLOYMENT SERVICES	3,809	3,905	4,106	201	5.1%
Total Low Income Employment	4,166	4,275	4,471	196	4.6%
OTHER					
COMMUNITY DEVELOPMENT BLOCK GRANTS 10/	2,995	3,057	3,046	(11)	-0.4%
COMMUNITY SERVICES BLOCK GRANT 4/	409	403	150	(253)	-62.8%
LEGAL SERVICES	316	328	317	(12)	-3.5%
LOW INCOME ENERGY ASSISTANCE	1,364	1,463	1,078	(385)	-26.3%
OTHER McKINNEY HOMELESS PROGRAMS	32	36	28	(8)	-22.2%
REFUGEE ASSISTANCE	387	381	371	(10)	-2.6%
VETERANS HOMELESS PROGRAMS	30	31	30	(1)	-3.8%
Total Other Low Income Discretionary	5,533	5,699	5,020	(680)	-11.9%
TOTAL LOW INCOME DISCRETIONARY	48,330	51,087	50,946	(141)	-0.3%
Total Less Subsidized Housing & Renewals	34,537	36,455	35,828	(627)	-1.7%
TOTAL ENTITLEMENT AND DISCRETIONARY	140,826	154,157	153,591	(566)	-0.4%
Total less Subsidized Housing & Renewals	127,033	139,525	138,473	(1,052)	-0.8%

Note: Numbers may not add due to rounding. A (0) figure indicates a funding reduction of between $1 and $500,000, while a 0 may indicate an increase of less than $500,000.

1/ For low income entitlement programs, current services levels are those shown in the OMB baseline as published in the Budget of the United States Government. For low income discretionary programs current service levels are those shown in the Congressional Budget Office's preliminary current services baseline as of January 1989. The baseline estimates how much funding would be necessary to maintain FY 1990 levels with adjustments for inflation from FY 1990 to FY 1991.

2/ Among the programs in this account are Head Start, Child Welfare Services and Runaway and Homeless Youth. Outlay figures were unavailable for these individual programs; as a result, outlay figures for the account are provided.

3/ This account includes special programs for disadvantaged students (TRIOs), for which outlay figures were not available.

4/ The outlay figures for these programs are estimated by the Center on Budget and Policy Priorities.

5/ These programs are part of the McKinney Homeless Assistance Act.

6/ The reduction in the Rural Housing Insurance fund reflects a proposed replacing the Section 502 direct loan program with a Section 502 loan guarantee program. In addition, a rural housing voucher program is also proposed to serve 8,000 additional units in FY 1991.

7/ These programs include domestic farm labor housing, mutual and self-help housing, very low income housing repair grants and rural housing preservation grants.

8/ These are Center on Budget and Policy Priorities estimates of the baseline and outlays required to renew expiring subsidized housing contracts, based on HUD budget authority figures.

9/ This account includes Community Health Centers, the Infant Mortality Initiative, Health Care for the Homeless, Maternal and Child Health Grants, and Migrant Health Centers, among other programs.

10/ The table reflects OMB's baseline estimates of outlays for the Community Development Block Grant, rather than CBO's somewhat lower baseline estimates.

TABLE 3: CHANGES IN LOW INCOME DISCRETIONARY PROGRAM FUNDING, FY 1981 - FY 1991
(Budget Authority, in millions)

	ACTUAL FY 1981 BA 1/	FY 1981 ADJUSTED FOR INFLATION 2/	PROPOSED FY 1991 BA	DIFFERENCE FY91 - FY81	CHANGE (after inflation) 2/
EDUCATION					
COMPENSATORY EDUCATION (CHAPTER 1)	3,545	5,268	5,839	571	10.8%
EDUCATION FOR THE HOMELESS 3/	0	0	8	8	NA
FINANCIAL AID FOR NEEDY STUDENTS	3,802	5,649	6,352	703	12.4%
HEAD START	814	1,210	1,886	676	55.9%
HIGHER EDUCATION (TRIOS)	160	238	270	32	13.6%
INDIAN EDUCATION (BIA + EDUC)	345	513	382	(131)	-25.5%
Total Low Income Education	8,666	12,877	14,737	1,860	14.4%
HOUSING					
EMERGENCY FOOD AND SHELTER 3/	0	0	125	125	NA
EMERGENCY SHELTER GRANTS 3/	0	0	71	71	NA
HOPE HOUSING GRANTS	0	0	250	250	NA
HOUSING FOR ELDERLY & HANDICAPPED 4/	797	1,184	283	(901)	-76.1%
PUBLIC HOUSING OPERATING SUBSIDIES	1,071	1,591	1,826	235	14.7%
NEHEMIAH HOUSING	0	0	0	0	0.0%
RENTAL HOUSING FOR THE HOMELESS 3/	0	0	161	161	NA
RURAL HOUSING INSURANCE FUND 4/	3,896	5,788	1,027	(4,761)	-82.3%
ADDITIONAL RURAL HOUSING PROGRAMS 5/	453	673	35	(638)	-94.8%
RURAL HOUSING VOUCHERS	0	0	190	190	NA
SUBSIDIZED HOUSING	30,170	44,830	7,256	(37,574)	-83.8%
TRANSITIONAL HOUSING DEMONSTRATION 3/	0	0	143	143	NA
Total Low Income Housing	36,387	54,067	11,367	(42,700)	-79.0%
NUTRITION					
COMMODITY SUPPLEMENTAL FOOD PROGRAM	27	40	63	23	57.0%
FOOD DONATIONS FOR LOW INCOME GROUPS	129	192	225	33	17.4%
TEMPORARY EMERGENCY FOOD ASSISTANCE 2/	0	0	50	50	NA
WIC SUPPLEMENTAL FOOD PROGRAM	900	1,337	2,215	878	65.6%
Total Nutrition	1,056	1,569	2,553	984	62.7%
HEALTH					
COMMUNITY HEALTH CENTERS	325	483	474	(9)	-1.8%
FAMILY PLANNING	182	270	0	(270)	-100.0%
HEALTH CARE FOR THE HOMELESS 3/	0	0	46	46	NA
HOMELESS MENTAL HEALTH 3/	0	0	40	40	NA
IMMUNIZATION GRANTS	31	46	153	107	232.2%
INDIAN HEALTH	607	901	1,282	381	42.2%
INDIAN HEALTH FACILITIES	83	123	13	(110)	-89.5%
MATERNAL & CHILD HEALTH	457	679	579	(100)	-14.7%
MIGRANT HEALTH	43	64	48	(16)	-24.9%
MINORITY HEALTH INITIATIVE	0	0	90	90	NA
NATIONAL HEALTH SERVICE CORPS	95	142	42	(99)	-70.2%
Total Low Income Health	1,823	2,709	2,767	58	2.2%
EMPLOYMENT					
JOB TRAINING FOR WELFARE RECIPIENTS	365	542	1,000	458	84.4%
JOB TRAINING FOR THE HOMELESS 3/	0	0	13	13	NA
OLDER AMERICANS EMPLOYMENT	277	412	343	(69)	-16.7%
TRAINING AND EMPLOYMENT SERVICES	9,106	13,531	4,170	(9,361)	-69.2%
Total Low Income Employment	9,748	14,485	5,526	(8,959)	-61.8%

	ACTUAL FY 1981 BA 1/	FY 1981 ADJUSTED FOR INFLATION	PROPOSED FY 1991 BA	DIFFERENCE FY91 - FY81	PERCENT CHANGE (after inflation)2/
OTHER 7/					
CHILD WELFARE SERVICES	173	257	300	43	16.7%
COMMUNITY DEVELOPMENT BLOCK GRANT	3,695	5,490	2,752	(2,738)	-49.9%
COMMUNITY SERVICE BLOCK GRANTS 3/	525	780	42	(738)	-94.6%
LEGAL SERVICES	321	477	317	(160)	-33.5%
LOW INCOME ENERGY ASSISTANCE	1,850	2,749	1,050	(1,699)	-61.8%
LOW INCOME WEATHERIZATION	175	260	0	(260)	-100.0%
OTHER McKINNEY HOMELESS PROGRAMS 3/	0	0	23	23	NA
RUNAWAY AND HOMELESS YOUTH	11	16	29	13	77.4%
SOCIAL SERVICES BLOCK GRANT 8/	2,991	4,444	2,800	(1,644)	-37.0%
VETERANS HOMELESS PROGRAMS 3/	0	0	30	30	NA
VISTA	33	49	39	(10)	-20.5%
Total Other Low Income Discretionary	9,774	14,523	7,382	(7,141)	-49.2%
TOTAL LOW INCOME DISCRETIONARY	67,453	100,229	44,332	(55,897)	-55.8%
Total Less Subsidized Housing	37,283	55,399	37,076	(18,323)	-33.1%

1/ This column shows FY 1981 budget authority levels at the start of the Reagan Administration, prior to rescissions implemented by the administration in the spring of 1981. The numbers in this column are not adjusted for inflation.

2/ Inflation from FY 1981 to FY 1989 is calculated using the GNP deflator. Inflation from FY 1990 to FY 1991 is assumed to be 4.0 percent, as estimated by CBO in January 1990. The total inflation adjustment for FY 1981 to FY 1991 is 48.59 percent.

3/ These programs are part of the Stewart B. McKinney Homeless Assistance Act.

4/ These programs are loan programs rather than direct spending programs. Therefore, levels listed here are loan limits -- which provide the best measure of programs activity -- rather than budget authority.

5/ These programs inlcude domestic farm labor housing, mutual and self-help housing, very low income housing repair grants and rural housing preservation grants.

6/ This line includes funding for the two low income components of the Administration's Minority Health Initiative: $35 million for health care services in public housing projects and $55 million the National Health Service Corps for recruiting disadvantaged and minority health students to practice in underserved areas.

7/ Neither the Refugee Assistance nor the State Legalization Impact Assistance programs are included in this table. Comparing FY 1981 funding levels for these two programs to their FY 1990 levels produces misleading results, since funding has been infused into these programs at various times in response to changes in the numbers of refugees and legalized immigrants. For example, in FY 1981, the refugee assistance program was funded at much higher levles than at present; funding was set high for the program in that year in order to assist the large numbers of Cuban refugees arriving as part of the Mariel boatlift from Cuba. Similarly, the SLIAG program, which did not exist in FY 1981, is a time-limited program enacted with the purpose of providing assistance to immigrants seeking legalization under the Immigration Reform Act of 1986.

8/ Although the Social Services Block Grant is sometimes regarded as a "capped entitlement," funds for it are limited to those actually appropriated. If Congress appropriates less than the authorized level, only the amount appropriated is provided.

If you have found this publication useful and would like to receive future Center materials, you may subscribe to the Center's Publication Service by using the form at the right.

Cut along this line

Please enter my subscription as follows:
(PLEASE PRINT)

Name: _____

Organization : _____

_____

Address: _____

_____ Zip: _____

Telephone: (_____) _____

_____ **Basic Package** - $25 for a one-year subscription. Includes all poverty and income reports and analyses and all budget analyses.

Plus all reports and analyses on:
(Choose One)

_____ Labor issues, including employment, unemployment insurance, minimum wage.

_____ Hunger and welfare issues, including food and nutrition programs.

_____ Low income housing issues, based on major new data being released.

_____ **Comprehensive Package** - $40 for a one-year subscription. Includes all poverty and income reports, all budget analyses, and all reports and analyses on all three topics above.

_____ My check is enclosed, payable to Center on Budget and Policy Priorities.

_____ Please bill me.

Send this form and your payment:

Publications Service
Center on Budget and Policy Priorities
236 Massachusetts Avenue, NE, Suite 305
Washington, DC 20002
(202) 544-0591